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AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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April 10, 2001

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria D. Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **DHS' NET COUNTY COST OF AIDS OUTPATIENT SERVICES
FINANCIAL AND COMPLIANCE AUDIT REPORT**

Attached is the independent auditor's report for the audit of the Department of Health Services' (DHS) Net County Cost of AIDS outpatient services. The County and one of its AIDS service providers entered into a legal settlement agreement. One provision of the settlement agreement was that the County would use an independent audit to verify the Net County Cost of providing AIDS outpatient services at the County-operated facilities. Conrad and Associates, L.L.P., Certified Public Accountants, was hired to conduct this audit.

Conrad and Associates expressed an unqualified opinion on the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost for fiscal year ended June 30, 1998. Their Report on Compliance and Internal Control noted some reportable conditions (not considered to be material weaknesses) which are discussed in the attached report. DHS' response indicates that they will take corrective actions.

If you have any questions, please contact me or Pat McMahon at (213) 974-0301.

JTM:PTM:KM
Attachment

c: Chief Administrative Office
David E. Janssen, Chief Administrative Officer
Public Information Officer
Department of Health Services
Mark Finucane, Director
Fred Leaf, Chief of Staff
John Schunhoff, Chief of Operations, Public Health Programs & Services
Charles Henry, Director, Office of AIDS Programs and Policy
Sachi Hamai, Chief, Inspection & Audit
Gary Wells, Director of Finance
Patrick Wu, County Counsel

COUNTY OF LOS ANGELES

Department of Health Services

Net County Cost of AIDS Outpatient Services
Financial and Compliance Audit Report

Fiscal Year Ended June 30, 1998

COUNTY OF LOS ANGELES
Department of Health Services

Net County Cost of AIDS Outpatient Services
Financial and Compliance Audit Report

Fiscal Year Ended June 30, 1998

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Board of Supervisors
County of Los Angeles
Los Angeles, CA

Independent Auditors' Report

We have audited the accompanying Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost prepared by the County of Los Angeles Department of Health Services (DHS) for the fiscal year ended June 30, 1998, for the purpose of expressing an opinion as to whether the cost, revenue and resulting net County cost of providing AIDS outpatient services at DHS facilities is fairly presented for the fiscal year ended June 30, 1998. The Schedule is the responsibility of the County of Los Angeles. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost presentation. We believe that our audit provides a reasonable basis for our opinion.

The County of Los Angeles DHS prepared the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost on a budgetary basis of accounting, which is described in Note 2.

In our opinion, the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost for the fiscal year ended June 30, 1998, referred to above, is presented fairly, in all material respects, in conformity with the budgetary basis of accounting described in Note 2.

Our audit was conducted for the purpose of forming an opinion on the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost for the fiscal year ended June 30, 1998. The supplemental data listed in the table of contents is presented for purposes of additional analysis and is not a part of the audited Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost. Such information has been subjected to the auditing procedures applied in the audit of the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost and, in our opinion, is fairly stated in all material respects in relation to the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost taken as a whole. The scope of our audit did not include the cost per visit data listed in the table of contents and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2001 on our consideration of the County of Los Angeles' DHS internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Conrad and Associates, L.L.P.

February 13, 2001

COUNTY OF LOS ANGELES

Department of Health Services

Schedule of AIDS Outpatient Services Costs,
Revenues and Net County Cost

Fiscal Year Ended June 30, 1998

<u>Facility</u>	<u>Totals as Submitted by County</u>	<u>Adjustments (Note 3)</u>	<u>Audited Totals</u>
<u>LAC+USC Medical Center (a)</u>			
AIDS outpatient services costs	\$ 15,360,037	12,432,901	27,792,938
Revenues	<u>9,438,377</u>	<u>3,434,037</u>	<u>12,872,414</u>
Net County cost	<u>5,921,660</u>	<u>8,998,864</u>	<u>14,920,524</u>
<u>Harbor/UCLA Medical Center (b)</u>			
AIDS outpatient services costs	3,560,832	1,930,229	5,491,061
Revenues	<u>2,517,715</u>	<u>364,724</u>	<u>2,882,439</u>
Net County cost	<u>1,043,117</u>	<u>1,565,505</u>	<u>2,608,622</u>
<u>MLK/Drew Medical Center</u>			
AIDS outpatient services costs	1,633,130	3,788,208	5,421,338
Revenues	<u>1,135,870</u>	<u>1,689,939</u>	<u>2,825,809</u>
Net County cost	<u>497,260</u>	<u>2,098,269</u>	<u>2,595,529</u>
<u>Olive View Medical Center</u>			
AIDS outpatient services costs	763,792	406,994	1,170,786
Revenues	<u>680,387</u>	<u>411,657</u>	<u>1,092,044</u>
Net County cost	<u>83,405</u>	<u>(4,663)</u>	<u>78,742</u>
<u>High Desert Hospital</u>			
AIDS outpatient services costs	738,296	1,405,505	2,143,801
Revenues	<u>332,039</u>	<u>139,457</u>	<u>471,496</u>
Net County cost	<u>406,257</u>	<u>1,266,048</u>	<u>1,672,305</u>
<u>Totals - All Hospitals</u>			
AIDS outpatient services costs	22,056,087	19,963,837	42,019,924
Revenues	<u>14,104,388</u>	<u>6,039,814</u>	<u>20,144,202</u>
Net County cost	<u>\$ 7,951,699</u>	<u>13,924,023</u>	<u>21,875,722</u>

(a) Includes Roybal Comprehensive Health Center's costs and revenues

(b) Includes Long Beach Comprehensive Health Center's costs and revenues

COUNTY OF LOS ANGELES

Department of Health Services

Notes to Financial Statements

Fiscal Year Ended June 30, 1998

(1) Background

The Department of Health Services' (DHS) administers HIV/AIDS services throughout the County of Los Angeles. The DHS provides AIDS outpatient services either indirectly through contracts with local service providers, which are administered by DHS's Office of AIDS Programs and Policy, or through five DHS hospitals and two comprehensive health centers (CHC).

The five DHS hospitals are: 1) LAC+USC Medical Center; 2) Harbor/UCLA Medical Center; 3) MLK/Drew Medical Center; 4) Olive View/UCLA Medical Center; and 5) High Desert Medical Center. The two comprehensive health centers are the Roybal Comprehensive Health Center and the Long Beach Comprehensive Health Center. Roybal Comprehensive Health Center is included as part of LAC+USC Medical Center, and Long Beach Comprehensive Health Center is included as part of Harbor/UCLA Medical Center in the accompanying Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost.

In December 1998, the County and one of its AIDS service providers entered into a legal settlement agreement. One of the provisions of the agreement requires the County, through the use of an independent audit, to verify the net County cost (i.e. cost less revenue) of providing AIDS outpatient services at the County-operated facilities.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost was prepared by the County of Los Angeles DHS to reflect the AIDS Outpatient Services costs and revenues for the fiscal year ended June 30, 1998. The basis of accounting used by DHS to prepare this schedule was the budgetary basis of accounting. This budgetary basis of accounting did include some accruals of revenues and expenses but not all accruals associated with generally accepted accounting principles.

The following information summarizes some of the other differences from generally accepted accounting principles:

Depreciation and amortization expense – The depreciation and amortization costs associated with each of the hospitals was not allocated to the AIDS outpatient cost center.

Interest expense – Interest payments made on long-term debt were not allocated to each hospital's AIDS outpatient cost center.

Certain salary related expenses (worker's compensation and compensated absences) – Salary related expenses are recorded on a cash basis and not on an accrual basis.

COUNTY OF LOS ANGELES

Department of Health Services

Notes to Financial Statements (Continued)

Fiscal Year Ended June 30, 1998

(2) Summary of Significant Accounting Policies (Continued)

Bad debt expense – Costs associated with writing off uncollectible receivables were not allocated to each hospital's AIDS outpatient cost center.

Equipment purchases – Purchases of equipment are reflected as expenses in the current period and are not capitalized and depreciated over a longer period.

Revenues

There are various revenues associated with AIDS Outpatient Services. These revenues have been included on the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost to arrive at the net County cost of providing such services. These revenue sources included the following:

- Medi-Cal Fee for Service
- Medicare
- Self-pay
- SB 855
- SB 1255
- SB 1732
- Other Third Party Payers

The SB 855, SB 1255 and SB 1732 revenues allocated to AIDS Outpatient Services during the fiscal year ended June 30, 1998 amounted to approximately \$7,125,000. Each year the County receives these revenues from the State of California to help offset costs associated with inpatient care. In accordance with the Omnibus Budget Reconciliation Act (OBRA) of 1993, the County of Los Angeles DHS used both outpatient and inpatient costs in determining its revenue cap for the year ended June 30, 1998. Since the AIDS Outpatient Services costs were used in determining this limit, any revenue generated as a result of the limit determination was allocated to the AIDS Outpatient Services cost center.

Allocated Costs

Each of the hospitals and comprehensive health centers provide numerous services to the communities. AIDS Outpatient Services represents only a portion of those services provided each year. Below we have identified the percentage of AIDS Outpatient Services costs in relation to total hospital costs provided during the fiscal year ended June 30, 1998:

LAC+USC Medical Center	2.71%
Harbor/UCLA Medical Center	1.24%
MLK/Drew Medical Center	1.25%
Olive View Medical Center	0.43%
High Desert Hospital	3.64%

COUNTY OF LOS ANGELES

Department of Health Services

Notes to Financial Statements (Continued)

Fiscal Year Ended June 30, 1998

(2) Summary of Significant Accounting Policies (Continued)

Each hospital has developed methods to equitably allocate costs to the hospital's various cost centers. The basis of allocation varies based on the type of costs being allocated.

(3) Audit Adjustments

There were certain adjustments made to the balances reported by the County of Los Angeles Department of Health Services to properly reflect the costs and revenues associated with AIDS Outpatient Services.

The original schedule prepared by DHS did not include pharmacy costs and revenues associated with AIDS Outpatient Services. Adjustments were made to each of the hospitals to include the related pharmacy costs and revenues. This information was provided by each of the hospitals and was subjected to various auditing procedures.

There were also other adjustments that were made to reflect the actual costs recorded for each individual hospital and to correct minor discrepancies noted during the review of the supporting schedules.

The following summarizes the adjustments by individual hospital:

LAC+USC Medical Center

Costs:

Pharmacy costs charged to the AIDS Outpatient Services cost center	<u>\$12,432,901</u>
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Revenues:

Pharmacy revenue applied to the AIDS Outpatient Services cost center	<u>\$3,434,037</u>
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Harbor/UCLA Medical Center

Costs:

Pharmacy costs charged to the AIDS Outpatient Services cost center	\$2,455,000
Understatement of Blood Bank costs	4,303
Understatement of Respiratory costs	566
Understatement of Pharmaceutical costs	358,588
Overstatement of Pharmacy costs	(73,836)
Other adjustments	(2,561)
Subsequent adjustment by DHS due to a prior misallocation of certain costs	<u>(811,831)</u>

Total cost adjustments	<u>\$1,930,229</u>
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COUNTY OF LOS ANGELES
Department of Health Services

Notes to Financial Statements (Continued)

Fiscal Year Ended June 30, 1998

(3) Audit Adjustments (Continued)

Revenues:

Pharmacy revenue applied to the AIDS	
Outpatient Services cost center	\$887,000
Subsequent adjustment by DHS due	
to a prior misallocation of certain revenues	(522,442)
Other adjustments	<u>166</u>
Total revenue adjustments	<u>\$364,724</u>

MLK/Drew Medical Center

Costs:

Pharmacy costs charged to the AIDS	
Outpatient Services cost center	<u>\$3,788,208</u>

Revenues:

Pharmacy revenue applied to the AIDS	
Outpatient Services cost center	<u>\$1,689,939</u>

Olive View/UCLA Medical Center

Costs:

Pharmacy costs charged to the AIDS	
Outpatient Services cost center	\$407,018
Other Adjustments	<u>(24)</u>
Total cost adjustments	<u>\$406,994</u>

Revenues:

Pharmacy revenue applied to the AIDS	
Outpatient Services cost center	\$407,018
Other Adjustments	<u>4,639</u>
Total revenue adjustments	<u>\$411,657</u>

High Desert Hospital

Costs:

Pharmacy costs charged to the AIDS	
Outpatient Services cost center	\$1,428,000
Overstatement of Maintenance and Repairs expense	<u>(22,495)</u>
Total cost adjustments	<u>\$1,405,505</u>

COUNTY OF LOS ANGELES
Department of Health Services

Notes to Financial Statements (Continued)

Fiscal Year Ended June 30, 1998

(3) Audit Adjustments (Continued)

Revenues:

Pharmacy revenue applied to the AIDS Outpatient Services cost center	\$113,272
Minor error in the preparation of the summarized general ledger	(27,961)
Subsequent adjustment to include patient care revenues (Medi-Cal, Medicare and Pharmacy) that were not Previously allocated	<u>54,146</u>
	<u>\$139,457</u>

SUPPLEMENTAL DATA

COUNTY OF LOS ANGELES
Department of Health Services

Schedule of AIDS Outpatient Services Costs, Revenues
and Net County Cost - LAC+USC Medical Center

Fiscal Year Ended June 30, 1998

AIDS OP- RT

Direct expenses:

CL OP ACQ IMMUN - NSG	\$ 2,438,250
CL OP AMED / Material	<u>364,452</u>

⌚ Total direct expenses	<u>2,802,702</u>
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Indirect expenses:

Med Staff Admin-Phys	1,074,375
Emp Health and Welf	454,090
Admin and Gen	1,105,794
Maint and Repair	529,901
Operation of Plant	68,323
Laundry and Lien	5,973
Housekeeping	85,711
Cafeteria	28,244
Nursing Admin	196,468
Inservice Edu-Nrsg	18,305
Central S&S	9,097
Pharmacy	4,073,818
Medical Records	195,806
Medical Library	12,085
Social Services	657,597
PFSW Provider	109,043
Supp STF	577,399
Less Amount relating to NICU R&B	<u>(67,286)</u>

Total indirect expenses	<u>9,134,743</u>
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Total AIDS OP-RT expenses	<u>11,937,445</u>
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COUNTY OF LOS ANGELES
Department of Health Services

Schedule of AIDS Outpatient Services Costs, Revenues
and Net County Cost - LAC+USC Medical Center

(Continued)

AIDS OP- ANC

Indirect expenses:

Medical Supplies Charged to PT	101,264
Drugs Charged to PT	12,432,900
Rad-Diagnostic	347,086
Rad-Diagnostic - Ultrasound	5,608
CT Scanner	22,293
Nuclear Medicine	71,824
Mag Res Imaging	28,811
Laboratory	2,360,133
Pulmonary Function	66,359
Blood Bank	58,712
Resp Therapy	16,786
Physical Therapy	2,676
OCC Therapy	2,490
Speech Pathology	1,797
Audiology	2,154
ECG	303,337
Echocardiology	9,843
EEG	2,009
Renal Dialysis	<u>19,411</u>

Total AIDS OP-ANC expense 15,855,493

Total AIDS outpatient costs 27,792,938

Revenues:

Medical/CHP revenues	1,101,384
SB 855 revenues	6,195,714
Other revenues:	
Patient Care related	717,714
Non Patientcare related	4,703,925
Other revenues - Roybal CHC	<u>153,677</u>

Total revenues 12,872,414

Net County Cost \$ 14,920,524

COUNTY OF LOS ANGELES
Department of Health Services

Schedule of AIDS Outpatient Services Costs, Revenues
and Net County Cost - Harbor/UCLA Medical Center

Fiscal Year Ended June 30, 1998

AIDS OP-RT

Direct expenses:

Nursing, clerical	\$ 595,915
Physicians	152,708
Services & supplies	<u>216,514</u>

Total direct expenses	<u>965,137</u>
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Indirect expenses:

Depreciation - building & fixtures	14,122
Depreciation - movable equipment	100
Employee health & welfare	191,463
Administration & general	198,753
Overhead (HAS, TTC, A-C, CAO, etc.)	15,734
Maintenance & repair	21,024
Operation of plant	3,452
Laundry & linen	1,345
Housekeeping	13,054
Cafeteria/dietary	49,932
Nursing administration	68,114
Inservice education - nursing	1,558
Central S & S	18,539
Medical Records	98,869
Medical school contracts	25,999
Medical library	3,539
Social services	<u>3,528</u>

Total indirect expenses	<u>729,125</u>
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Total AIDS OP-RT expenses	<u>1,694,262</u>
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COUNTY OF LOS ANGELES

Department of Health Services

Schedule of AIDS Outpatient Services Costs, Revenues
and Net County Cost - Harbor/UCLA Medical Center

(Continued)

AIDS OP- ANC

Indirect expenses:

Medical supplies charged to patient	24,013
Pharmaceuticals	2,739,776
Radiology-diagnostic	31,421
Nuclear medicine	508
Laboratory	785,568
Pulmonary function	2,272
Blood bank	7,286
Respiratory therapy	672
Electrocardiogram (ECG)	<u>1,823</u>

Total AIDS OP-ANC expense 3,593,339

Specialty Clinic:

Otolaryngology	15,798
Ophthalmology	27,831
Dermatology	73,686
Oncology	25,274
IV Infusion	<u>60,871</u>

Total speciality clinic expenses 203,460

Total AIDS outpatient costs 5,491,061

Revenues:

Patientcare revenues	413,021
SB 855 revenues	25,273
Other revenues	
ADAP revenues	887,000
Additonal ADAP revenues	334,704
AIDS OP services	891,144
Psychiatric	214,686
Lab	<u>116,611</u>

Total revenues 2,882,439

Net County Cost \$2,608,622

COUNTY OF LOS ANGELES
Department of Health Services

Schedule of AIDS Outpatient Services Costs, Revenues
and Net County Cost - MLK/Drew Medical Center

Fiscal Year Ended June 30, 1998

AIDS OP- RT

Direct expenses:

CL OP ACQ IMMUN - NSG	\$ 11
Med CI/OASIS	295,385
HHS-ADMIN	<u>182,003</u>

Total direct expenses	<u>477,399</u>
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Indirect expenses:

Med Staff Phys. Peds	6,883
Phy/Plum Funct	15,115
Med Staff Admin-Phys	38,663
MD School Contact	10,674
Dep/Amort of building and Imp.	22,826
Admin and Gen	243,330
Main and Rep	37,152
Operation of Plant	5,035
Housekeeping	6,384
Dietary	13,796
Nursing Admin	35,239
Central S&S	2,578
Pharmacy	27,333
Interns	3,583
Residents	65,403
PFS - Providers	30,984
Supp STF - Ped	193
Supp STF - Plum Function	13,702
Supp STF	<u>31,620</u>

Total indirect expenses	<u>610,493</u>
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Total OP - RT expense	<u>1,087,892</u>
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COUNTY OF LOS ANGELES
Department of Health Services

Schedule of AIDS Outpatient Services Costs, Revenues
and Net County Cost - MLK/Drew Medical Center

(Continued)

AIDS OP- ANC

Indirect expenses:

Medical Supplies Charged to PT	23,215
Drugs Charged to PT	131,577
Rad-Diagnostic	72,492
Rad-Diagnostic - Ultrasound	2,369
CT- Scanner	2,903
Laboratory	216,970
Pulmonary Function	179
Blood Bank	1,339
Physical Therapy	2,076
ECG	<u>7,133</u>

Total AIDS OP-ANC expense 460,253

Other expenses:

Employee Benefits	58,491
Medical Records	25,410
Medical Library	1,301
Drugs Directly Billed	<u>3,787,991</u>

Total other expenses 3,873,193

Total AIDS outpatient cost 5,421,338

Revenues:

Patient Care revenues	494,565
SB 855 revenues	439,567
Other revenues:	
Care ACT	726,391
Drugs	963,561
VNA Home Health	<u>201,725</u>

Total revenues 2,825,809

Net County Cost \$2,595,529

COUNTY OF LOS ANGELES

Department of Health Services

Schedule of AIDS Outpatient Services Costs, Revenues
and Net County Cost - Olive View Medical Center

Fiscal Year Ended June 30, 1998

AIDS OP- RT

Direct expenses:

CL OP ACQ IMMUN - NSG	\$ 38,561
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Total direct expenses	<u>38,561</u>
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Indirect expenses:

Med Staff Admin-Int. Med.	40,105
Dep/Amort of building and Imp.	22,500
Emp Health and Welf	22,067
Admin and Gen	31,939
Admin and Gen-PFSW	5
Central S&S	2,359
Pharmacy	4,778
Medical Records	6,579
Medical Library	432
Social Services	27
Supp STF	<u>13,829</u>

Total indirect expenses	<u>144,620</u>
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Total AIDS OP-RT expense	<u>183,181</u>
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AIDS OP- ANC

Indirect expenses:

Medical Supplies Charged to PT	13,038
Drugs Charged to PT	24,982
Rad-Diagnostic	49,290
Rad-Diagnostic - Ultrasound	1,341
Nuclear Medicine	3,144
Laboratory	88,218
Pulmonary Function	42
Blood Bank	3,360
Resp Therapy	1,044
Physical Therapy	203
OCC Therapy	133
ECG	640
EEG	<u>737</u>

Total AIDS OP-ANC expense	<u>186,172</u>
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COUNTY OF LOS ANGELES

Department of Health Services

Schedule of AIDS Outpatient Services Costs, Revenues
and Net County Cost - Olive View Medical Center

(Continued)

Cost allocated to AIDS:

Maint and repair	18,661
Operation of plant	5,453
Laundry and linen	130
Housekeeper	11,298
Dietary	249
Cafeteria	39
Nursing admin	12,418
Inservice education	5,500
Interns	10,452
Residents	62,679
PFSW providers	11,267
VNA cost	146,208
Pharmacy	407,018
Salaries	<u>110,061</u>

Total costs allocated to AIDS	<u>801,433</u>
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Total AIDS outpatient cost	<u>1,170,786</u>
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Revenues

Medi-Cal/CHP Revenues	133,941
SB 855 Revenues	40,522
Other Revenues:	
CARE ACT	285,116
VNA Billing	146,208
Drugs Billed to AIDS	160,142
ADAP Pharmacy	246,876
Other	<u>79,239</u>

Total revenues	<u>1,092,044</u>
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Net County Cost	<u>\$ 78,742</u>
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COUNTY OF LOS ANGELES
Department of Health Services

Schedule of AIDS Outpatient Services Costs, Revenues
and Net County Cost - High Desert Hospital

Fiscal Year Ended June 30, 1998

AIDS OP- RT

Direct expenses:

CL OP ACQ IMMUN - NSG \$ 198,800

Total direct expenses 198,800

Indirect expenses:

Med Sstf Phys Int Med	32,013
Emp Health and Welf	63,159
Admin and Gen	45,858
Admin and Gen - PFSW	92,167
Maint and Repair	87,987
Operation of Plant	27,398
Housekeeping	9,457
Nursing Admin	53,593
Inservice Edu-Nrsg	659
Medical Records	16,890
Medical Library	2,867
Social Services	20,367
PFSW	55
PFSW Provider	683

Total indirect expenses 453,153

Total AIDS OP-RT expenses 651,953

AIDS OP- ANC

Indirect expenses:

Medical Supplies Charged to PT	100
Drugs Charged to PT	1,428,180
Rad-Diagnostic	12,920
CT Scanner	196
Laboratory	48,383
Resp Therapy	1,835
ECG	234

Total AIDS OP-ANC expenses 1,491,848

Total AIDS outpatient cost 2,143,801

Revenues:

Patient care revenues	54,147
SB855 Revenues	1,575

Other revenues:

Drugs	113,272
CARE Act	251,542
AIDS prog-Skills Building	34,657
AIDS prog-Mental Health	16,303

Total revenues 471,496

Net County Cost \$ 1,672,305

COUNTY OF LOS ANGELES
Department of Health Services

Schedule of Cost per Visit

Fiscal Year Ended June 30, 1998

	<u>AIDS Outpatient Cost</u>	<u>Net County Cost</u>	<u>Visits</u>	<u>Total Cost Per Visit</u>	<u>Net County Cost Per Visit</u>
LAC+USC Medical Center	\$ 27,792,938	14,920,524	47,958	579.53	311.12
Harbor/UCLA Medical Center	5,491,061	2,608,622	11,410	481.25	228.63
MLK/Drew Medical Center	5,421,338	2,595,529	8,330	650.82	311.59
Olive View Medical Center	1,170,786	78,742	1,781	657.38	44.21
High Desert Hospital	<u>2,143,801</u>	<u>1,672,305</u>	<u>1,083</u>	1,979.50	1,544.14
Totals	<u>\$ 42,019,924</u>	<u>21,875,722</u>	<u>70,562</u>	595.50	310.02

Board of Supervisors
County of Los Angeles
Los Angeles, CA

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost prepared by the County of Los Angeles Department of Health Services (DHS) for the fiscal year ended June 30, 1998, for the purpose of expressing an opinion as to whether the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost is presented fairly, in all material respects for the fiscal year ended June 30, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County of Los Angeles' Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Los Angeles' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County of Los Angeles' ability to record, process, summarize and report financial data consistent with the assertions of management in the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost. The reportable conditions are described in the accompanying schedule of findings and recommendations as items 1 and 2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted an other matter involving the internal control over financial reporting that is described in the accompanying schedule of findings and recommendations as item 3.

This report is intended solely for the information of the County of Los Angeles and certain AIDS service providers and is not intended to be and should not be used by anyone other than these specified parties.

Comrad and Associates, C.C.P.

February 13, 2001

COUNTY OF LOS ANGELES
Department of Health Services
Net County Cost of AIDS Outpatient Services

Findings and Recommendations

Year Ended June 30, 1998

(1) Pharmaceutical Activity Associated with AIDS Outpatient Services Should be Included when Preparing Schedule of Net County Costs

When the County of Los Angeles Department of Health Services (DHS) prepared the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost, pharmacy costs and pharmacy revenues were not included. This decision was made by DHS because pharmaceutical activity was not considered an area that could be serviced by the organization that requested the preparation of this schedule. The DHS did not believe that the purpose of preparing the schedule would warrant the inclusion of pharmaceutical activity.

During our review of the general ledgers of each of the individual hospitals, we noted that each hospital had allocated a portion of pharmacy costs and revenues to the AIDS Outpatient Services cost center. The DHS had eliminated these items when the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost was prepared, based on the reason identified above. Since the purpose of the Schedule is to properly report all activity associated with AIDS Outpatient Services, the pharmaceutical activity associated with AIDS Outpatient Services should be included in the preparation of the Schedule.

Recommendation

We recommend that the DHS include all pharmaceutical activity related to AIDS Outpatient Services when preparing future Schedules of AIDS Outpatient Services Costs, Revenues and Net County Costs.

Department's Response Regarding Corrective Action Planned

In future years, DHS will produce two schedules of AIDS Outpatient Services Costs, Revenues, and Net County Costs. One schedule will include pharmacy costs and revenues associated with AIDS outpatient services and the other schedule will exclude these costs and revenues.

(2) Each Hospital's Schedule G Should be Reviewed Prior to Preparing the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Costs

At the end of each fiscal year, each hospital will prepare a schedule summarizing that fiscal year's activity. This schedule is known as the Variable and Fixed Costs Schedule (Schedule G). These schedules will identify the costs incurred by each hospital by cost center. One of the costs centers included on the Schedule G is AIDS Outpatient Services.

COUNTY OF LOS ANGELES
Department of Health Services
Net County Cost of AIDS Outpatient Services

Findings and Recommendations

(Continued)

(2) Each Hospital's Schedule G Should be Reviewed Prior to Preparing the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Costs (Continued)

We noted for one of the hospitals, Harbor/UCLA Medical Center, that the Schedule G used in the preparation of the Schedule of Net County Costs had not been properly completed. The DHS had to reallocate certain costs to properly reflect the costs and revenues associated with AIDS Outpatient Services.

Recommendation

We recommend that all Schedule G's prepared by the hospitals be reviewed prior to preparing the Schedule of Net County Costs.

Department's Response Regarding Corrective Action Planned

DHS Health Services Administration, Finance will review each hospital's Schedule G prior to preparing the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Costs.

(3) Harbor/UCLA Medical Center Should Consider Establishing an AIDS Outpatient Services Cost Center

Each hospital has implemented an allocation plan where costs are charged to various cost centers based on various allocation methodologies. We noted that each hospital allocated doctors' salaries to the AIDS Outpatient Services cost centers based on time studies, except for Harbor/UCLA Medical Center. Harbor/UCLA Medical Center allocated doctors' salaries to the AIDS Outpatient Services cost center based on information provided by department heads.

All of the hospitals except Harbor/UCLA Medical Center had a separate cost center for AIDS Outpatient Services. By not having a separate AIDS Outpatient Services cost center, Harbor/UCLA Medical Center had to use other reasonable methods to determine the amount of costs and revenues that pertain to AIDS Outpatient Services. One of the methods was to use the knowledge of the department heads.

COUNTY OF LOS ANGELES
Department of Health Services
Net County Cost of AIDS Outpatient Services

Findings and Recommendations

(Continued)

(3) Harbor/UCLA Medical Center Should Consider Establishing an AIDS Outpatient Services Cost Center, (Continued)

The determination of AIDS Outpatient Services costs and revenues at Harbor/UCLA Medical Center is based on reasonable allocation methodologies. However, to provide a more systematic and comprehensive approach of allocating costs and revenues to AIDS Outpatient Services, we suggest that Harbor/UCLA Medical Center consider establishing a separate AIDS Outpatient Services cost center.

Recommendation

We recommend that Harbor/UCLA Medical Center consider establishing an AIDS Outpatient Services cost center to more equitably account for costs and revenues associated with AIDS Outpatient Services.

Department's Response Regarding Corrective Action Planned

Harbor/UCLA Medical Center will establish an AIDS Outpatient Services cost center, starting FY 2001-02, to more equitably account for the AIDS outpatient services costs and revenues.